

||| *Se*
dp ||| **dugan production corp.**

|||
July 12, 1996

Mr. Rand Carroll
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico

Dear Mr. Carroll:

We are writing to request New Mexico Oil Conservation Division (NMOCD) approval for the proposed surface commingling of produced natural gas from the captioned wells, both of which are operated by Dugan Production Corp. I have discussed this application with David Catanach and it is my understanding that since the ownership is not common to both wells, this matter will require formal notice and an examiner hearing. It is also my understanding that in the absence of objection from any interest owner, the NMOCD can call the case and take the application under advisement without an actual appearance by Dugan Production Corp. We do not anticipate any objection and request that you set this case for the next available examiner hearing docket (August 8th, 1996 if possible).

The Com No. 1E (API No. 30-45-23940) was completed December 8, 1979 in the Basin Dakota Gas Pool and has produced 690,451 MCF + 7289 bbls condensate as of June 1, 1996. During the first five months of 1996, production averaged 52 MCFD plus 0.3 bbls condensate/day and the production history is presented on Attachment No. 6. Since completion, we have produced the Com No. 1E using a two stage compressor located at the well which has been necessary for the well to produce into El Paso Natural Gas Company's (EPNG's) pipeline which averages 250 psi and at times gets as high as 400 psi. The engine for this compressor requires 8.1 MCFD for fuel and maintenance costs average \$700 per month for the compressor and engine. Since the compressor is owned by the working interest owners, only maintenance costs are a factor for current operations; however, should it ever be necessary to replace the compressor, a similar rental package would cost \$1250/month.

The spacing unit for the Com No. 1E is presented on Attachment No. 1 which also presents lease information for the five leases (3 state, 1 federal & 1 fee) that comprise the 316.65 acre E/2 spacing unit. The Com No. 1E is located on State Lease LG-3736 and the five leases within the spacing unit are communitized (CA #14-08-0001-7765). The individual interest owners of the Com No. 1E, along with their respective interests, are listed on Attachment No. 2 and each has been provided a copy of this application by certified mail. Copies of our transmittal letters to the royalty, overriding royalty and working interest owners are presented in Attachment No. 11.

The Com No. 2 (API No. 30-045-23199) was completed October 21, 1978 in the Harper Hill Fruitland Sand-PC gas pool (initially the Harper Hill Fruitland-PC pool and redesignated 11-1-88 in NMOCD Order R-8769) and has produced 211,472 MCF as of June 1, 1996. During the first five months of 1996, production averaged 33 MCFD and the well's production history is presented on Attachment No. 7. Since completion, it has been necessary to use a 2 stage compressor located at the well in order to produce into EPNG's pipeline which averages 250 psi and ranges up to 400 psi. The engine for this compressor requires 9.3 MCFD for fuel, and maintenance costs average \$700 per month for the compressor and engine. This compressor is owned by the working interest owners of the Com No. 2. The spacing unit for the Com No. 2 is presented on Attachment No. 3 which also presents lease information for the three state leases which comprise the 156.65 acre NE/4 spacing unit. The Com No. 2 is located on State Lease LG-3736 and the three leases within the spacing unit (all state) are communitized. The individual interest owners of the Com No. 2, along with their respective interests, are listed on Attachment No. 4 and each has been provided a copy of this application by certified mail. Copies of our transmittal letters to the royalty and overriding royalty owners are presented in Attachment No. 11. Upon receiving the "return receipt" cards from the Com No. 1E & No. 2 interest owners, we will provide you copies as evidence of interest owner notice.

Dugan Production proposes to convert the existing gas sales meter for the Com No. 1E well to a central delivery point (CDP) meter for gas sales from the Com No. 1E & No. 2 wells. This will allow us to use only one compressor to produce both wells and will allow the lease fuel normally required by the second compressor to be sold. In addition, the operation and maintenance costs for one compressor will be eliminated which will result in an approximate 50% reduction in operating costs for both wells since the operating costs for the single compressor will be split between two wells. This will result in an increase in gas revenues of approximately \$317/month total for the net interest owners of both wells (ref. Attachment No. 10). In addition, the operating costs for both wells will be reduced a total of approximately \$700/month which will result in a lowering of the operating economic limit by 733 MCF/mo which corresponds to approximately 12 MCFD per well.

Considering an average annual decline rate of 8% (the wells are averaging 6 to 8%), this will allow for an increase in ultimate recoveries of approximately 106,000 MCF total or 53,000 MCF per well. Thus, all owners will realize an increase in current gas sales and in ultimate gas recoveries.

To insure the proper allocation of gas sold at the CDP meter, the existing sales meter at the Com No. 2 will continue to be used as an allocation meter and will continuously measure gas volumes produced from the Com No. 2. Dugan Production will maintain this meter for allocation purposes and will have the gas charts integrated monthly by a commercial integration service along with all of our other allocation charts.

All free liquid production (both condensate and water) will be separated and stored at each well and will not be commingled at any time. Currently the Com No. 1E is the only well producing condensate and both wells produce only minor amounts of water. The only product to be commingled will be the natural gas streams from each well. Attachment No. 5 presents a schematic drawing of the existing and proposed production facilities. This project will require the installation of approximately 350' of line to connect the Com No. 2 meter run to the Com No. 1E compressor suction line and isolating the Com No. 2 meter run from EPNG's system. We have discussed our proposal with EPNG and believe that EPNG is agreeable to terminating wellhead sales at the Com No. 2 and converting the Com No. 1E gas sales meter to a CDP sales meter for the Com No. 1E and No. 2 wells.

We have also discussed this application with the BLM, the State Land Office and Conoco (our only other working interest owner). It is our understanding that all parties are supportive of our proposal and are in agreement that the proposed metering will provide the proper allocation of gas sales from the CDP meter.

It is our plan to determine gas sales and production as follows:

Com No. 2 gas production = Com No. 2 chart integration volume, plus Com No. 2 well site lease fuel (currently none other than the compressor which will be eliminated), plus any volumes purged and/or lost prior to Com No. 2 meter.

Com No. 1E production = CDP sales volume, plus CDP compressor and equipment fuel volumes, plus Com 1E wellsite lease fuel (currently 1.4 MCFD during the winter months for a heater treater plus 8.1 MCFD for a compressor which will be eliminated), plus any volumes lost or purged prior to the CDP sales meter, minus Com No. 2 allocation meter volumes.

CDP compressor & equipment fuel to be allocated between the Com No. 1E and Com No. 2 based upon the ratio that each wells' production (less onsite lease fuel and individual well purging

and/or venting) bears to the total similar production of both wells. Note - currently there is no CDP equipment planned other than the compressor.

CDP sales volume to be allocated between the Com No. 1E and Com No. 2 based upon the ratio each wells' production (less onsite lease fuel, less individual well purging and/or venting, less allocated compressor and CDP equipment fuel) bears to the total similar production of both wells.

CDP sales BTU and revenues will be allocated between the Com No. 1E and No. 2 based upon the ratio that each wells' allocated sales volume x individual well BTU bears to the total BTUs similarly calculated for both wells.

The natural gas streams are similar in composition and are compatible. The most recent gas analysis for each well is presented in Attachments No. 8 & 9. There will be no loss in value of the commingled stream as compared to the value of the individual streams since the commingled stream will be sold based upon BTU content.

Attachment No. 10 presents an analysis of the individual well streams along with revenue values under current operations and as proposed. The purpose of this analysis is to show that there will be no loss of value to either well and that the commingled production along with the use of one compressor for both wells will have a positive affect upon both wells and will result in an increase of revenue to the interest owners of both wells totaling \$317/month.

The Com No. 1E & No. 2 wells are the only 2 wells that will be affected by this application. Dugan Production also operates the Com No. 1 & 3 wells which are both located in Unit J of Section 2 (T-29N, R-14W) and have spacing units that also fall within the E/2 of Section 2, however, neither the 1 or 3 wells will be affected by this proposal.

In summary, Dugan Production requests approval to convert the Com No. 1E sales meter to a CDP for the Com Wells No. 1E & No. 2 which will allow us to use only one compressor to produce both wells and eliminate the fuel and expense for a second compressor currently being operated. This will require production from the 2 wells (one spaced 156.65 acres & one with 316.65 acres) to be surface commingled prior to sales. The CDP sales meter will be on lease for both wells (the Com No. 1E and No. 2 wells are only 341' apart), however the ownership is not common to both wells due to the dissimilar spacing units. The proposed commingling will have positive benefits for all interest owners both in current revenues and increased ultimate recoveries. Since we do not anticipate objection from any interest owner, we request that the NMOC set this case for hearing, call the case and if there is no objection,

take the case under advisement. Since we do not expect any objection, we do not plan to appear at the hearing unless it later becomes necessary.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe

John D. Roe
Manager of Engineering

JDR/cg

attachs.

cc: David Catanach, NMOCD - Santa Fe
Frank Chavez, NMOCD - Aztec
Jerry Hoover, Conoco - Midland
Pete Martinez, NM SLO
Duane Spencer, BLM FDO
All royalty & overriding royalty interest owners

**Attachment
No. 1**

WELL LOCATION AND ACREAGE DEDICATION PLAT

Supersedes G-124
Effective 1-1-79

All distances must be from the outer boundaries of the Section

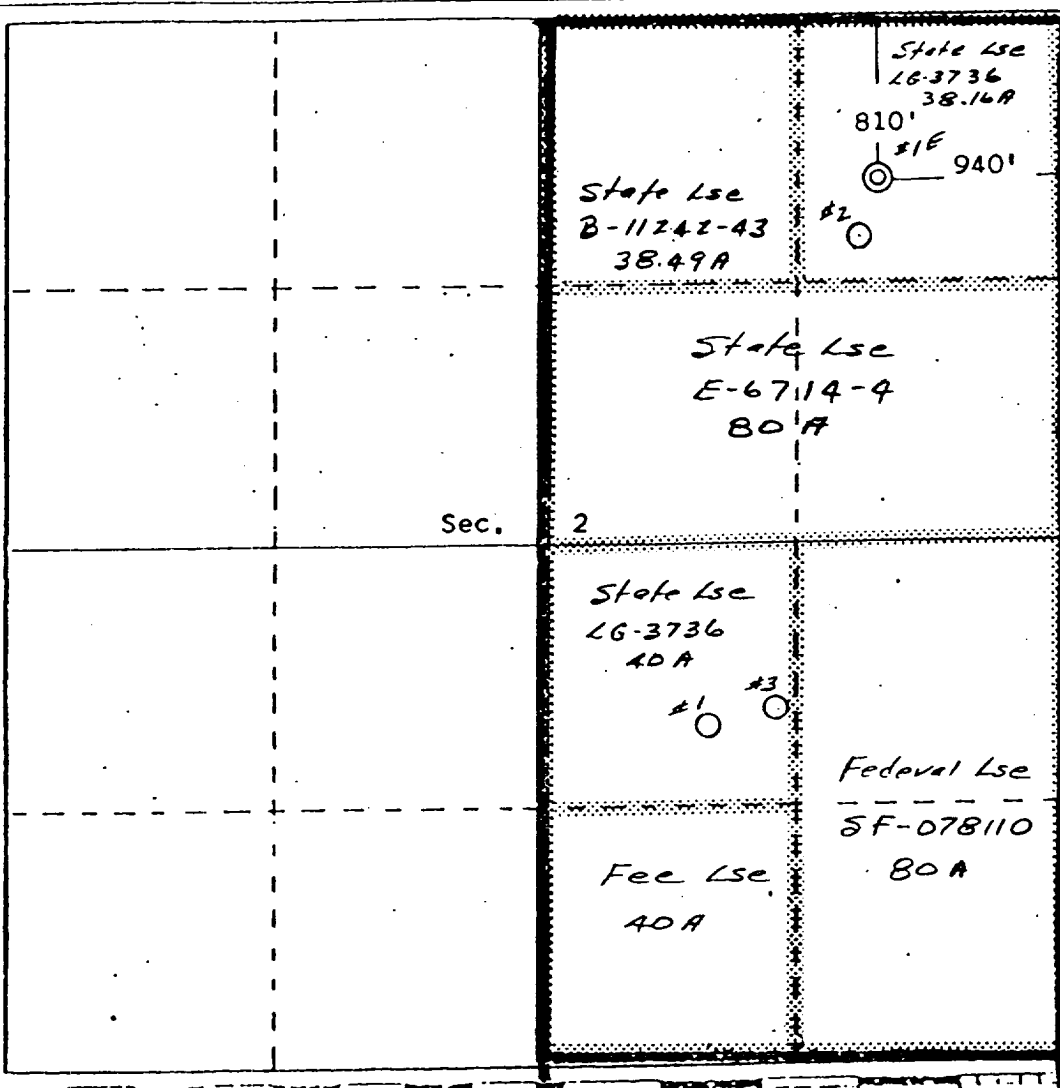
Owner Dugan Production Corporation			Lease Com 1 E	
Unit Letter A	Section 2	Township 29 North	Range 14 West	County San Juan
Actual Footage Location of Well:				
810	Feet from the North	Line and 940	Feet from the East	Line
Ground Level Elev. 5534	Producing Formation Dakota	Pool Basin	Dedicated Acreage: 316.65 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Communitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Thomas A. Dugan

Name
Thomas A. Dugan
Position
Petroleum Engineer
Company
Dugan Production Corp.

Date
11-1-79

I hereby certify that the location shown on this plat was taken from field notes of actual survey made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
October 30, 1979
Registered Professional Engineer
and/or Land Surveyor

Edgar L. Risenhoover
Certificate No. 5979

Edgar L. Risenhoover, L.S.

ATTACHMENT 2
 Dugan Production Corp.
 Com Well No. 1E
 Basin Dakota Pool
 Well Location: NENE 2, T-29N, R-14W
 Spacing Unit: E/2 Sec.2, T-29N, R-14W
 (316.65A)
 San Juan County, New Mexico

<u>INTEREST OWNER</u>	<u>INTEREST \$</u>	
	<u>Net</u>	<u>Gross</u>
<u>Royalty</u>		
State of New Mexico	7.762910	-0-
State Land Office		
Attn: Pete Martinez		
P.O. Box 1148		
Santa Fe, NM 87504-1148		
USA - Bureau of Land Management	3.158070	-0-
Attn: Duane Spencer		
1235 LaPlata Hwy.		
Farmington, NM 87401		
Rilla E. King	1.579030	-0-
P. O. Box 186		
Dolores, CO 81325		
<u>Overriding Royalty Interest</u>		
Marcia M. Daniels	0.030390	-0-
c/o Clotilda M. Pope		
5480 Wisconsin Ave., Suite 814		
Chevy Chase, MD 20015		
Louise Adair McDougal Hadley	0.121550	-0-
2 Bluff Road		
Swansboro, NC 28584		
Charles Alan McDougal	0.121550	-0-
7928 Rooksley Ct		
Raleigh, NC 27615		
Robert Bruce McDougal	0.121550	-0-
6608 Penny Lane		
Bartlesville, OK 74006		
Anne S. Henderson	0.121550	-0-
2969 Upton St. NW, Apt. 3		
Washington, DC 20008		
Robin Thomas Henderson	0.030390	-0-
5028 River Road		
Bethesda, MD 20016		
Russell Stewart Henderson, Jr.	0.030390	-0-
5028 River Road		
Bethesda, MD 20016		
Clotilda M. Pope	0.030390	-0-
5480 Wisconsin Ave., Suite 814		
Chevy Chase, MD 20015		
<u>Working Interest</u>		
Conoco, Inc.	5.526610	6.316120
Attn: Jerry Hoover		
10 Conoco Plaza, 10 Desta Drive		
Midland, TX 79705		
Dugan Production Corp.	<u>81.365620</u>	<u>93.683880</u>
TOTAL WELL	100.000000	100.000000

Attachment
No. 3

WE. LOCATION AND ACRESAGE OF DEDICATED

Effective Date

All distances must be from the well base point of the

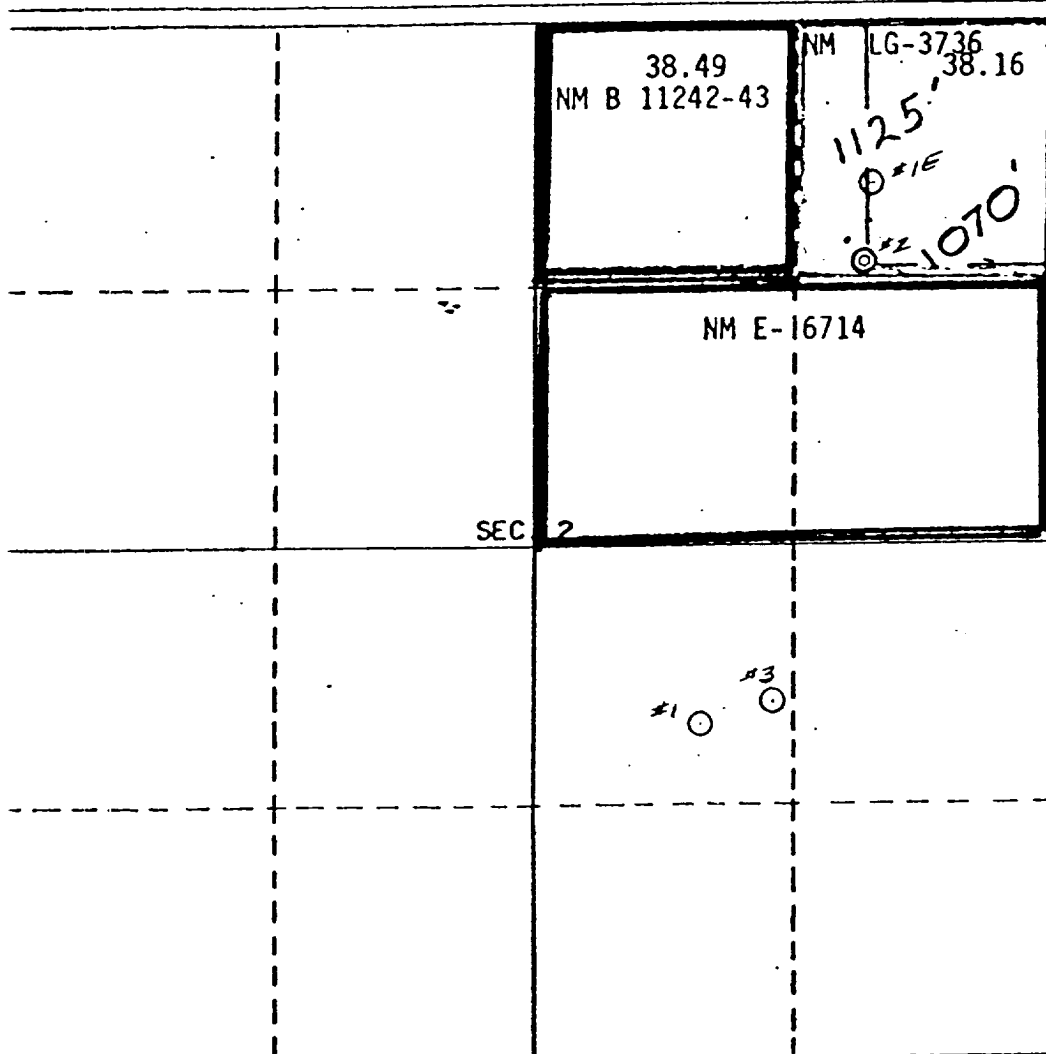
Dugan Production Corporation		Lease		Well No.
Unit Letter	Section	Township	Range	
A	2	29 North	14 West	2
San Juan				
Tract Footage Location of Well				
1125	Feet from the	North	1070	Feet from the
5511	Producing Formation	Pool	Dedicated Acres	
	Fruitland - PC	Harder Hill FR Sand PC	156.65	

1. Outline the acreage dedicated to the subject well by colored pencil or ballpoint marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Communitization approved January 2, 1979
copy attached hereto

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Jim L Jacobs

Jim L Jacobs

Position

Geologist

Company

Dugan Production Corp.

Date

September 21, 1990

REGISTERED LAND SURVEYOR
I, *E.V. Echolaw*, being duly sworn, depose and say that the location of this plat was properly located and that the same is true and correct to the best of my knowledge and belief.
E.V. ECHOLAW
MEXICO

Date Surveyed

July 13, 1978

Registered Professional Engineer
and/or Land Surveyor

E.V. Echolaw

Certificate No. 3602

E.V. Echolaw LS

ATTACHMENT 4
 Dugan Production Corp.
 Com Well No. 2
 Harper Hill Fruitland Sand-PC Pool
 Well Location: NENE 2, T-29N, R-14W
 Spacing Unit: NE/4 Sec.2, T-29N, R-14W
 (156.65A)
 San Juan County, New Mexico

<u>INTEREST OWNER</u>	<u>INTEREST %</u>	
	<u>Net</u>	<u>Gross</u>
<u>Royalty</u>		
State of New Mexico State Land Office Attn: Pete Martinez P.O. Box 1148 Santa Fe, NM 87504-1148	12.500000	-0-
<u>Overriding Royalty Interest</u>		
Marcia M. Daniels c/o Clotilda M. Pope 5480 Wisconsin Ave., Suite 814 Chevy Chase, MD 20015	0.061430	-0-
Louise Adair McDougal Hadley 2 Bluff Road Swansboro, NC 28584	0.245703	-0-
Charles Alan McDougal 7928 Rooksley Ct Raleigh, NC 27615	0.245703	-0-
Robert Bruce McDougal 6608 Penny Lane Bartlesville, OK 74006	0.245704	-0-
Anne S. Henderson 2969 Upton St. NW, Apt. 3 Washington, DC 20008	0.245700	-0-
Robin Thomas Henderson 5028 River Road Bethesda, MD 20016	0.061430	-0-
Russell Stewart Henderson, Jr. 5028 River Road Bethesda, MD 20016	0.061430	-0-
Clotilda M. Pope 5480 Wisconsin Ave., Suite 814 Chevy Chase, MD 20015	0.061430	-0-
Conoco, Inc. Attn: Jerry Hoover 10 Conoco Plaza, 10 Desta Drive Midland, TX 79705	6.383660	-0-
<u>Working Interest</u>		
Dugan Production Corp.	<u>79.887810</u>	<u>100.000000</u>
WELL TOTAL	100.000000	100.000000

Attachment 5
 Facility Diagram
 Dugan Prod. Cont
 Com #1E + #2
 7-12-96

Dugan Prod.
 Com #2 (1125' FNL + 1070' FEL)

Underground dip
 2" water Tank

2-2 Stage Compressor - to be
 eliminated

2-Com No. 2 Sales Meter - to
 be converted to an
 allocation meter

3A' from Com #2
 to Com #1E

2 proposed to
 Abandon EPNG
 pipeline connection

Proposed Line
 to deliver Com #2
 gas to compressor
 Section @ Com 1E
 Location

5 Water Tank
 3-3 Phase Separator
 Condensate Tank
 Dugan Prod.
 Com 1E
 (810' FNL + 940' FEL)

2-2 Stage Compressor -
 currently for Com 1E
 proposed for Com 1E + 2

2- EPNG Sales Meter for
 Com 1E - proposed to
 be CDP Sales Meter
 for Com 1E + #2

EPNG Pipeline - Average Pressure = 250 PSI (Range = 220 - 400 PSI)

- Not Drawn to Scale -

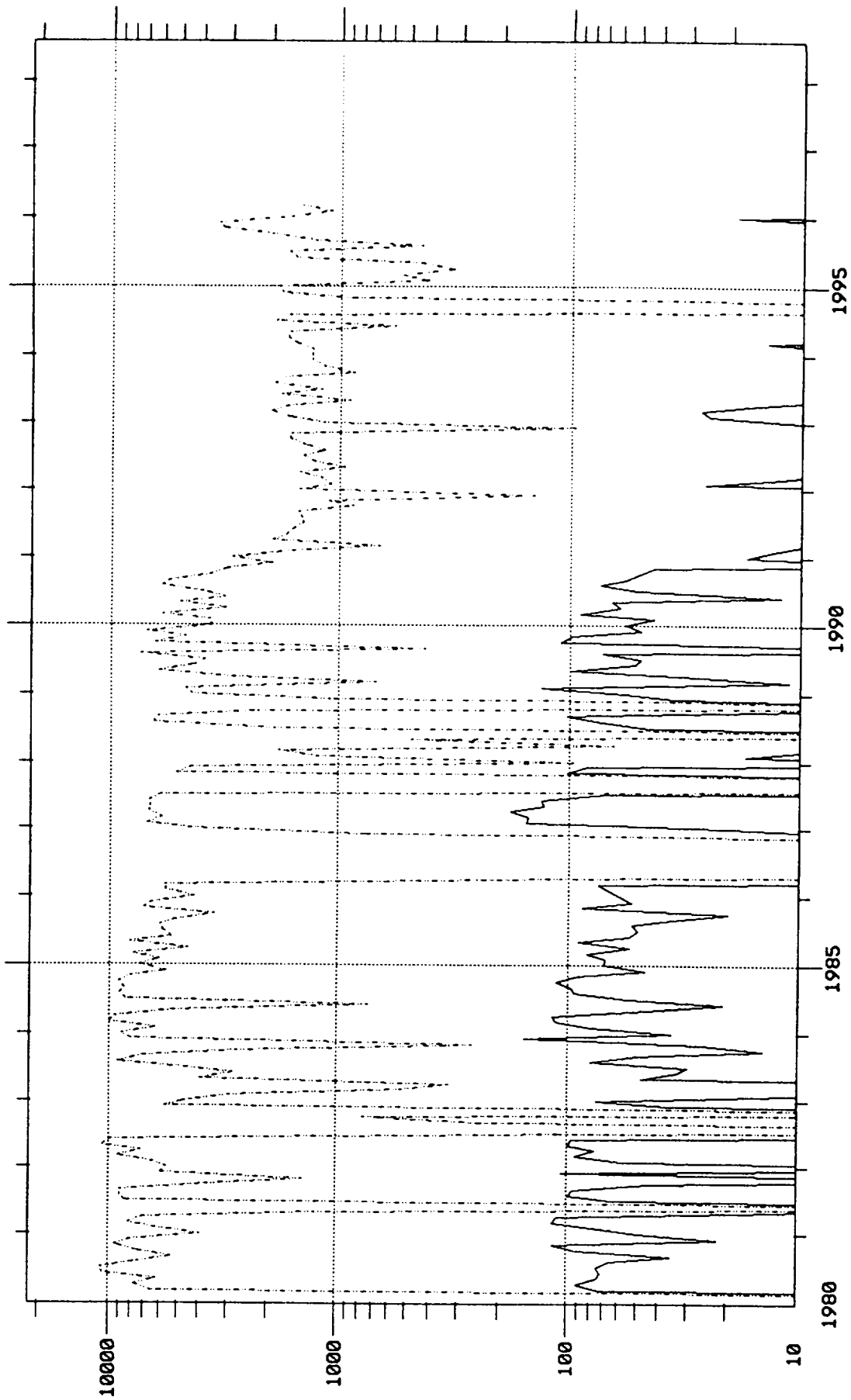
North →

MAIN Line to SAN JUAN River Plant

Attachment
No. 6

BASIN DAKOTA
Production Rate vs Time
Bbl/Mo or Mcf/Mo vs Months
COM:IE

Production
Oil ———
Gas - - - -
Water

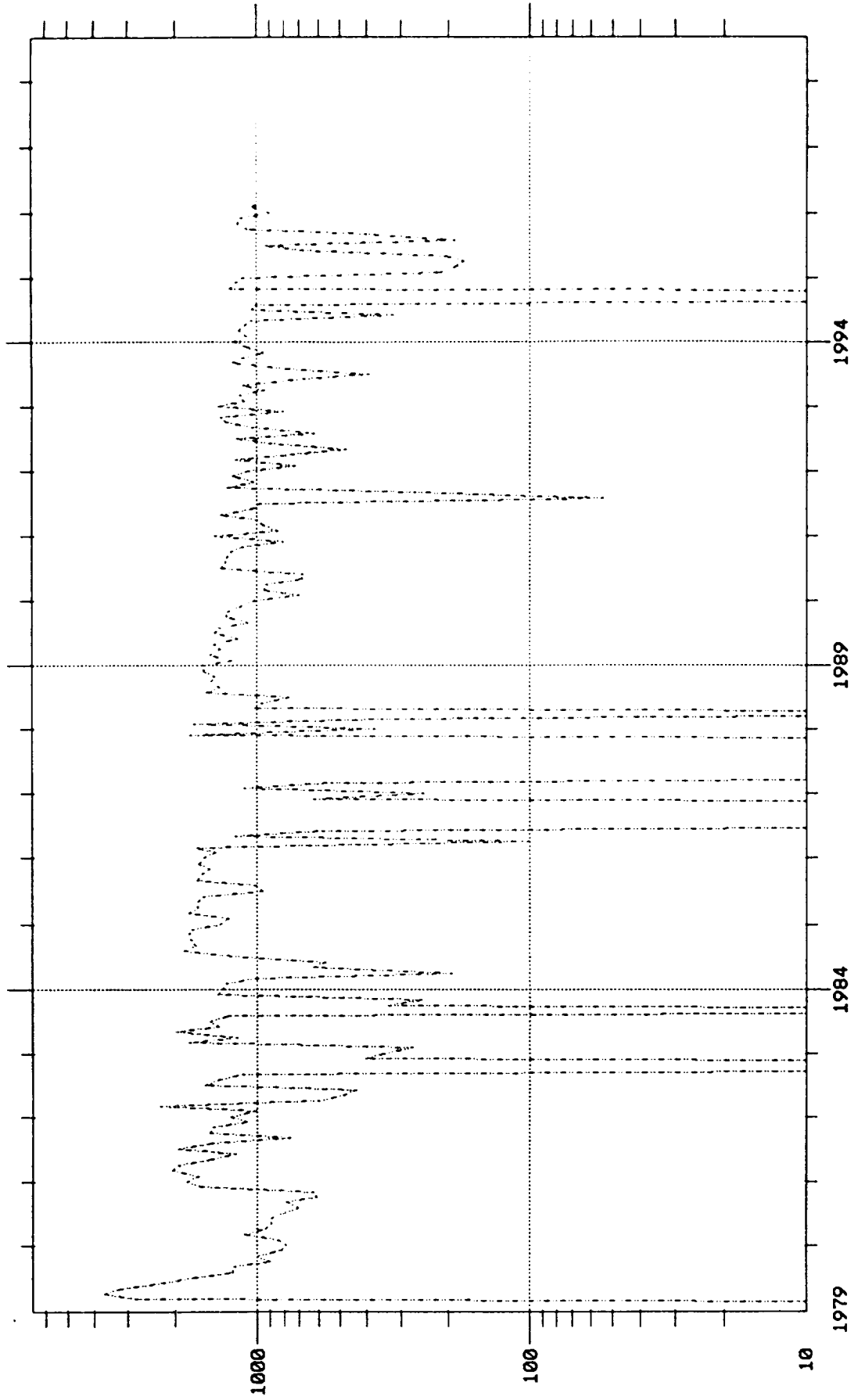


Attachment

No. 7

HARPER HILL PICTURED CLIFFS
Production Rate vs Time
BBl/Mo or Mcf/Mo vs Months
COM:2

Production
Oil
Gas
Water



EL PASO NATURAL GAS COMPANY
VOLUME ACCOUNTING DEPARTMENT
MEASUREMENT DIVISION
POST OFFICE BOX 1492
EL PASO, TEXAS 79978
PHONE: (915) 541-5287

A Harbort
No. 8

DATE 11/08/95

CHROMATOGRAPHIC GAS ANALYSIS REPORT

MAILEE
28730

DUGAN PRODUCTION CORPORATION
P O BOX 420
FARMINGTON, NM 87499-0420

METER NUMBER 90887 - COM #1E
OPERATOR 1862 - DUGAN PRODUCTION CORP

ANALYSIS DATE	10/20/95	TYPE CODE	2 - ACTUAL
SAMPLE DATE	10/18/95	H2S GRAINS	0
EFFECTIVE DATE	11/01/95	LOCATION	D - DANIELS FM
EFFECTIVE FOR	6 MONTHS		

COMPONENTS	NORMALIZED MOL %	GPM
CO2	.90	.000
H2S	.00	.000
N2	.70	.000
METHANE	77.55	.000
ETHANE	10.68	2.857
PROPANE	5.88	1.621
ISO-BUTANE	.94	.307
NORM-BUTANE	1.81	.571
ISO-PENTANE	.57	.208
NORM-PENTANE	.46	.167
HEXANE PLUS	<u>.51</u>	<u>.223</u>
	100.00	5.955

SPECIFIC GRAVITY .751
MIXTURE HEATING VALUE
(BTU @ 14.73 DRY) 1285
RATIO OF SPECIFIC HEATS .000
NO TEST SECURED FOR H2S CONTENT

EL PASO NATURAL GAS COMPANY
VOLUME ACCOUNTING DEPARTMENT
MEASUREMENT DIVISION
POST OFFICE BOX 1492
EL PASO, TEXAS 79978
PHONE: (915) 541-5267
CHROMATOGRAPHIC GAS ANALYSIS REPORT

DATE 11/08/95

Attachment
No. 9

MAILEE
26730

DUGAN PRODUCTION CORPORATION
P O BOX 420
FARMINGTON, NM 87499-0420

METER NUMBER 90381 - COM #2
OPERATOR 1862 - DUGAN PRODUCTION CORP

ANALYSIS DATE	10/20/95	TYPE CODE	2 - ACTUAL
SAMPLE DATE	10/18/95	H2S GRAINS	0
EFFECTIVE DATE	11/01/95	LOCATION	D - DANIELS FM
EFFECTIVE FOR	6 MONTHS		

COMPONENTS	NORMALIZED MOL %	GPM
CO2	.43	.000
H2S	.00	.000
N2	.21	.000
METHANE	87.60	.000
ETHANE	6.46	1.728
PROPANE	2.58	.711
ISO-BUTANE	.46	.150
NORM-BUTANE	.69	.218
ISO-PENTANE	.29	.106
NORM-PENTANE	.22	.080
HEXANE PLUS	<u>1.06</u>	<u>.462</u>
	100.00	3.455

SPECIFIC GRAVITY .672
MIXTURE HEATING VALUE
(BTU @ 14.73 DRY) 1183
RATIO OF SPECIFIC HEATS .000
NO TEST SECURED FOR H2S CONTENT

ATTACHMENT NO. 10
 CURRENT & PROPOSED PRODUCTION VALUE
 DUGAN PRODUCTION CORP'S COM NO. 1E & COM NO. 2

CURRENT OPERATIONS

	<u>Com #1E</u>	<u>Com #2</u>	<u>Total</u>
<u>GAS</u>			
Average Production, MCFD ①	52	33	85
Lease Equipment Fuel, MCFD	1.4	0	1.4
Compressor Fuel, MCFD	<u>8.1</u>	<u>9.3</u>	<u>17.4</u>
Sales Volume, MCFD	42.5	23.7	66.20
Gas Heating Value, BTU/CF ③	1285	1183	1248
MMBTU Sold Per Day	54.61	28.04	82.65
Revenue - \$/Day ④	50.25	25.80	76.05
<u>CONDENSATE</u>			
Average Production, BPD ①	0.3	0	0.3
Revenue - \$/Day ④	<u>4.70</u>	<u>0</u>	<u>4.70</u>
Total Well Revenue - \$/Day	54.95	25.80	80.75

PROPOSED OPERATIONS

<u>GAS</u>			
Average Production, MCFD ①	52	33	85
Lease Equipment Fuel, MCFD	1.4	0	1.4
Compressor Fuel, MCFD ②	<u>4.9</u>	<u>3.2</u>	<u>8.1</u>
Sales Volume, MCFD	45.7	29.8	75.5
Gas Heating Value, BTU/CF ③	1285	1183	1245
MMBTU Sold Per Day	58.72	35.25	93.98
Revenue - \$/Day ④	54.03	32.44	86.47
<u>CONDENSATE</u>			
Average Production, BPD ①	0.3	0	0.3
Revenue - \$/Day ④	<u>4.70</u>	<u>0</u>	<u>4.70</u>
Total Well Revenue - \$/Day	58.73	32.44	91.17

PROJECTED INCREASE OVER CURRENT OPERATIONS

\$/Day	3.78	6.64	10.42
\$/Month	115	202	317

Footnotes:

- ① Average for 1st 5 months 1996
- ② Assumes compressor at Com No. 2 is eliminated and fuel is split between No. 1E & No. 2 based upon well production volumes less lease fuel.
- ③ Current gas analysis - Attachments No. 8 & 9
- ④ Used 1995 average wellhead gas price of \$1.01/MMBTU and condensate price of \$17.18/bbl plus the current San Juan County production tax rate of 8.89%



dugan production corp.

Attachment
No. 11
Pg 1 of 12

Certified Mail - Return Receipt Requested

July 15, 1996

Conoco, Inc.
Attn: Jerry Hoover
10 Conoco Plaza
10 Desta Drive
Midland, Texas 79705

**Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico**

Dear Mr. Hoover:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that Conoco has a 6.32% working interest in the Com No. 1E and a 6.38% ORRI in the Com No. 2. I have discussed this proposal with Mr. Pete Bowser of your office and it is my understanding that Conoco is in agreement with our proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 to satisfy the regulatory notice requirements.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe

John D. Roe
Manager of Engineering

JDR/cg

attachs.



dugan production corp.

Attachment
No. 11
Pg 2 of 12

Certified Mail - Return Receipt Requested

July 12, 1996

State of New Mexico
State Land Office
Attn: Mr. Pete Martinez
PO Box 1148
Santa Fe, NM 87504-1148

**Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico**

Dear Mr. Martinez:

Attached is our check for the \$30.00 SLO surface commingling application fee. Also attached for your approval is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that the E/2 spacing unit for Dugan Production's Com Well No. 1E includes state leases LG-3736, E-6714-4 and B-11242-43 and that the NE/4 spacing unit for Dugan's Com No. 2 includes portions of these same leases, which result in the State of New Mexico having a royalty interest in both wells.

From our earlier conversations about this matter, it is my understanding that since this proposal will result in increased current revenues to the State along with an increase in ultimate recoveries from both wells, the State Land Office can approve our proposed surface commingling.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 to satisfy the regulatory notice requirements.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe
Manager of Engineering

JDR/cg

attach.



dugan production corp.

HYDROPHANT
No. 11
pg 3 of 12

Certified Mail - Return Receipt Requested

July 15, 1996

Bureau of Land Management, FDO
Attn: Mr. Duane Spencer
1235 La Plata Hwy.
Farmington, NM 87401

Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico

Dear Mr. Spencer:

Attached for your approval is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate Federal Lease SF 078110 comprises 80 acres of the E/2 316.65 acre Dakota spacing unit for the Com No. 1E which results in a Federal royalty interest of 3.15807% in the Com No. 1E. Since the spacing unit for the Com No. 2 consists only of state leases, there is no federal interest in the No. 2 well.

Based upon our earlier conversations about this matter, it is my understanding that the BLM should be able to approve this proposed surface commingling.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 to satisfy the regulatory notice requirements.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe

John D. Roe
Manager of Engineering

JDR/cg

attachs.



dugan production corp.

HH 40000000
No. 11
Pg 4 of 12



Certified Mail - Return Receipt Requested

July 15, 1996

Rilla E. King
P.O. Box 186
Dolores, CO 81325

**Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico**

Dear Ms. King:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E well. The proposed surface commingling will not change your interest in this well and will provide an increase in your monthly revenues from the well. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe

John D. Roe
Manager of Engineering

JDR/cg

attachs.



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Attachment
No. 11
pg 5 of 12

Certified Mail - Return Receipt Requested

July 15, 1996

Charles Alan McDougal
7928 Rooksley Ct.
Raleigh, NC 27615

**Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico**

Dear Mr. McDougal:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe

John D. Roe
Manager of Engineering

JDR/cg

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No. 11
Pg 6 of 12

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dugan production corp.

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Certified Mail - Return Receipt Requested

|||
July 15, 1996

Robert Bruce McDougal
6608 Penny Lane
Bartlesville, OK 74006

**Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico**

Dear Mr. McDougal:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe

John D. Roe
Manager of Engineering

JDR/cg

attachs.



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HHH-11-11-11
No. 11
Pg 7 of 12



Certified Mail - Return Receipt Requested

July 15, 1996

Louise Adair McDougal Hadley
2 Bluff Road
Swansboro, NC 28584

**Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico**

Dear Ms. Hadley:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe
Manager of Engineering

JDR/cg

attachs.



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Attachment
No. 11
pg 8 of 12

Certified Mail - Return Receipt Requested

July 15, 1996

Marcia M. Daniels
c/o Clotilda M. Pope
5480 Wisconsin Ave., Suite 814
Chevy Chase, MD 20015

**Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico**

Dear Ms. Daniels:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

Should you have questions or need additional information, please let me know.

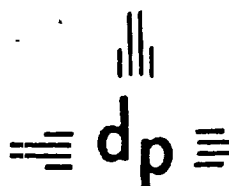
Sincerely,

John D. Roe

John D. Roe
Manager of Engineering

JDR/cg

attachs.



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Attachment
No. 11
Pg 9 of 12



Certified Mail - Return Receipt Requested

July 15, 1996

Anne S. Henderson
2969 Upton St. NW, Apt. 3
Washington, DC 20008

**Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico**

Dear Ms. Henderson:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe

John D. Roe
Manager of Engineering

JDR/cg

attachs.



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Attachment
No. 11
pg 10 of 12

Certified Mail - Return Receipt Requested

July 15, 1996

Robin Thomas Henderson
5028 River Road
Bethesda, MD 20016

**Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico**

Dear Mr. Henderson:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

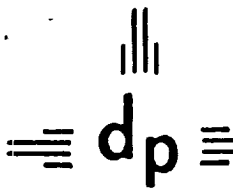
Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe
Manager of Engineering

JDR/cg

attachs.



dugan production corp.

Harper Hill A
No. 11
pg 11 of 12

Certified Mail - Return Receipt Requested

July 15, 1996

Russell Stewart Henderson, Jr.
5028 River Road
Bethesda, MD 20016

**Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico**

Dear Mr. Henderson:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

Should you have questions or need additional information, please let me know.

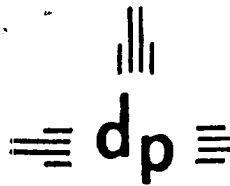
Sincerely,

John D. Roe

John D. Roe
Manager of Engineering

JDR/cg

attachs.



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Attachment
No. 11
Pg 12 of 12

Certified Mail - Return Receipt Requested

July 15, 1996

Clotilda M. Pope
5480 Wisconsin Ave., Suite 814
Chevy Chase, MD 20015

**Re: Application for Surface Commingling of Produced Gas
Dugan Production's Com Wells No. 1E & No. 2
Basin Dakota & Harper Hill Fruitland Sand PC Pools
Both Wells in Unit A, Section 2, T-29N, R-14W
San Juan County, New Mexico**

Dear Ms. Pope:

Attached for your review, information and file is a complete copy of the captioned application to the New Mexico Oil Conservation Division (NMOCD). Our records indicate that you have a royalty or overriding royalty interest in Dugan Production Corp's Com No. 1E and No. 2 wells. The proposed surface commingling will not change your interest in either well and will provide an increase in your monthly revenues from both wells. In addition, we expect that the ultimate recoveries from both wells will also be increased as a result of this proposal.

We are asking the NMOCD to set this matter for hearing on August 8, 1996 and should you choose to participate in this hearing, the NMOCD requires you to file a pre-hearing statement at least two days prior to the hearing date. If you plan to attend the hearing, please let us know.

Should you have questions or need additional information, please let me know.

Sincerely,

John D. Roe
Manager of Engineering

JDR/cg

attachs.